

Corrections, Updates, and Adjustments

There are situations where the original application information may need to be changed: when errors need to be corrected; when dependency status, household size, or number in college must be updated; and when an aid administrator makes an adjustment based on professional judgment. This chapter discusses how to make these changes to application information.

Students and schools can *correct* items that were incorrectly reported on the original FAFSA submission, but because the FAFSA is considered to be a “snapshot” of the family’s financial situation as of the date the application was signed, only a few answers from the FAFSA can be *updated* to reflect changes after the FAFSA was signed. Also, as an aid administrator you have the discretion to use your professional judgment to *adjust* the student’s reported information to account for special circumstances.

CORRECTING ERRORS

Errors can occur if the student submits the wrong information or if the information she provided was not scanned or entered correctly. In general, your school must have correct data before it can pay the student, which in some cases means that you or the student must submit corrections for reprocessing. However, there are other cases where you can pay the student without waiting for corrections to be reprocessed—for instance, if the aid amount doesn’t change or, for the Campus-Based and Stafford/PLUS programs, if you base the award on your recalculation of the EFC. For students selected for verification, there are additional situations where corrections aren’t required (see chapter 4 of this publication).

Even if the EFC or award amount doesn’t appear to change, you must require the student to submit corrections to the CPS (or otherwise resolve the discrepancy) if the Social Security number is wrong or if there were problems with other application questions that are subject to data matches, such as the citizenship questions.

Options if error doesn’t affect eligibility

If there would be no change to the **Pell grant**, the student doesn’t have to submit corrections for reprocessing unless something such as a data match item must be changed. When submitting payment information in such a case, you must be sure to use the verified transaction (see Volume 3). The rule is similar for

TYPES OF CHANGES

Corrections

- ➔ Application errors

Updates

- ➔ Changes to dependency status, household size, or number in college under certain conditions

Professional judgment ¹

- ➔ Override dependency status
- ➔ Adjust data elements

¹ Aid administrators only

Regulations on corrections and updating

Corrections for Pell Grants

34 CFR 690.14

Verification and updating, interim disbursements, options for payment, etc.
668.55, 668.58-.61

Correction if misreported as graduate

Any student who reports on the FAFSA that she is a graduate student can't receive Pell funds. Therefore, a student who incorrectly reported that she is a graduate student must correct that information, even if there are no errors that affect the EFC.

Examples—errors not affecting EFC

Stanislaw reported \$1,000 for cash, savings, and checking accounts, and also reported \$1,000 for the net worth of investments. He reported no other assets. He actually should have reported \$2,500 for the net worth of investments. However, because his asset protection allowance is \$4,700, making the correction won't change his EFC at all. Therefore, he can receive aid from any of the programs without submitting a correction, based on the data he originally reported.

Eric reported an AGI of \$20,000 but forgot to report untaxed income of \$120. Eric's EFC was 846. The FAA at Frisson College determines that making the correction would change Eric's EFC to 874. For an EFC of 846, the scheduled award is \$2,900, as it is for an EFC of 874, so the college can pay Eric's Pell without requiring him to make a correction. When Frisson submits the origination record for Eric, it uses the original EFC of 846. (The college will need to either use its recalculated EFC or submit a correction for aid from the campus-based, Direct Loan, or FFEL programs; see "Options if correction decreases eligibility.")

Correction increases eligibility, Pell grants

34 CFR 668.59(b)(2)(ii)(A)

Verification completed within 120-day period for Pell

34 CFR 668.60(c)(1)

the **Campus-Based and Stafford** programs—you can award aid based on the original data if your recalculation shows the correction would not change the student's EFC or award amount. Of course, for any program you can still require the student to make and submit the corrections for reprocessing.

Options if correction increases eligibility

For Pell Grants, if the scheduled award would increase and if the student completes verification and submits no corrections, you may use the original EFC and grant amount. Otherwise, you must pay the student the increased amount by submitting the corrections to the CPS for reprocessing. If the student was selected for verification, you can make a first payment based on the original EFC and adjust the second payment upon receipt of the reprocessed ISIR/SAR, or you can wait until you receive the reprocessed EFC before you pay the student. If the student wasn't selected for verification, you must wait until you receive the reprocessed EFC before making a payment.

There's an important limitation when a student completes verification while no longer enrolled but within the subsequent 120-day period allowed for verification. In such cases you **must always use the higher EFC**, even if it was the original and incorrect EFC (refer to the regulation cited in the margin).

For the Campus-Based and Stafford Loan programs, if your recalculation shows that the student's eligibility will increase, you can either pay the student based on your recalculation or you or the student can submit a correction and use the new EFC from the CPS. Remember that your school will be liable for any overpayment if your recalculation is incorrect.

Options if correction decreases eligibility

If the student would be eligible for less aid based on the correct information, you can't use the incorrect EFC to award FSA aid.

For Pell Grants, if the scheduled award would decrease, the data must be corrected and submitted to the CPS. You can't make any Pell payments to the student until you receive the new output document.

For the Campus-Based and Stafford programs, when your recalculation of the EFC shows that the corrections would decrease the student's aid, you can either pay the student based on your recalculation or require the student to submit a correction and use the new EFC from the CPS.

UPDATING

Generally, information that's correct as of the date the application was filed can't be changed. The student can't update income or assets that changed after she submitted her FAFSA. For example, if her family sold some stock after she filed a FAFSA and spent the money on a nonreported asset such as a car, she can't update her information to show a change in the family's assets. However, three items—

household size, number in college, and dependency status—must be updated in certain circumstances.

Dependency status

A student must update his dependency status any time during the award year unless it changed because his marital status changed. This update is required whether or not he was selected for verification. For the Pell Grant Program, the updated information must be submitted to the CPS for reprocessing. For the Campus-Based and Stafford/PLUS loan programs, you can recalculate the student's EFC based on the updated dependency status and use that recalculated EFC. Remember that your school will be liable for any overpayment due to recalculation errors.

Once you've originated or certified a Stafford loan, the DL origination record or FFEL certification record can't be changed to reflect a change in dependency status. However, you can use the updated status and recalculated EFC to originate or certify additional loans if the student qualifies.

Household size and number in college

Unlike dependency status, household size or number in college **cannot** be updated unless the student is selected for verification. If he is selected, these items **must** be updated to be correct at the time of verification unless they changed due to a change in the student's marital status, in which case updating is not permitted.

For Pell Grants, the student doesn't have to submit updated information for reprocessing if the scheduled award will increase or remain the same; you can disburse Pell funds using the original EFC. But in order for the student to get the increased grant amount, the updated information must be submitted to the processor. You can make a first payment based on the original EFC, adjusting the second payment upon receipt of the reprocessed output document, or you can wait until you receive the new EFC before paying the student. If the award will decrease, the updated information must be submitted to the processor. You can't make any payments until you have the new output document with the updated information.

For the Campus-Based and Stafford/PLUS programs, you can require the student to submit the updated information for the CPS to recalculate the EFC, or you can recalculate the student's EFC yourself. Remember that your school will be liable for any overpayment due to recalculation errors.

Effect on previous disbursements

If you paid a student based on information that is updated later, you must use the revised EFC to determine the correct award and adjust future disbursements or require a repayment by the student if necessary.

Example: correction increases eligibility

Chris's EFC is 616. He correctly reported his household size of three but incorrectly reported the number in college as one. The FAA at Benoit Institute determines that correcting the number in college to two would change Chris's EFC to 534. This would increase his Pell award by \$100. Benoit can disburse Pell to Chris on the lower scheduled award but not on the higher award unless he sends in a correction and receives a new output document. Benoit could use the recalculated EFC for awarding under the Campus-Based, Direct Loan, or FFEL programs without any corrections being submitted.

Example: correction decreases eligibility

On the application, Chavo reported his \$6,000 in income as taxes paid instead of income earned from work. Making the correction will increase Chavo's EFC, so his eligibility will be reduced. Because Chavo will still qualify for a Pell, the FAA at Sarven Technical Institute sends the correction to the CPS for recalculation. Chavo can't receive any Pell payments until Sarven receives the corrected ISIR. However, Sarven could recalculate his EFC and disburse campus-based aid, Direct Loans, or FFELs to Chavo before it receives the corrected data from the CPS.

Parent remarriage after applying

While the applicant does not update household size or number in college because of a change in his marital status, if he is a dependent student and his parent remarries between application and verification, he must update household size to include the new stepparent. However, the student would not count the new stepparent's income and assets. The school could use professional judgment to include the stepparent's income or to otherwise account for the change.

HEA Sec. 475(f)(3)

34 CFR 668.55(b)

Making corrections and updates

Corrections on the Web

www.fafsa.ed.gov

FAA Access to CPS Online

www.fafsa.ed.gov/FAA/faa.htm
by the school aid office

Student aid report

paper corrections sent by mail

By phone

Change schools listed or student address (DRN required)
Federal Student Aid Information Center (FSAIC)
1-800-4-FED-AID (1-800-433-3243)

HOW TO SUBMIT CORRECTIONS AND UPDATES

Corrections and updates can be submitted by the student on the SAR or the Web or by the school with FAA Access to CPS Online.

Using “Corrections on the Web” (COTW)

Any student who has a PIN—regardless of how he applied—may correct any of his own data, except SSN, by using Corrections on the Web (at www.fafsa.ed.gov). If dependent students need to change parental data, a parent must either sign electronically with her own PIN or print out and sign a signature page.

Submitting changes via FAA Access to CPS Online

Your school can submit corrections and updates electronically through FAA Access to CPS Online even if the original application wasn't submitted with that method. If your school isn't listed on the transaction you want to correct, the student will have to give you the DRN printed on the SAR or SAR Acknowledgement so that you can add your school in the next available institution field and then get electronic access to the resulting corrected transaction. If all six institution fields have been used, the student will have to tell you which of the original six should be replaced with your school's name and federal school code.

If you send a correction or update for a student using FAA Access, you must first have signed documentation from the student and parent. This can be signatures on Part 2 of the SAR, a signed copy of the correction or update, or a signed verification document. See Chapter 2 for more on signature requirements.

The CPS will process the change, send an ISIR to the school, and send the student a one-page SAR acknowledgement or, if the CPS has her e-mail address, an e-mail with a link to her SAR information on the Web.

Using the student aid report (SAR) to make corrections

Students who received a paper SAR may make corrections or updates on it, then sign and return it to the FAFSA processor at the address given at the end of the SAR (of course, students with PINs can instead use COTW). One parent must also sign if the student is dependent, unless the only corrections are to the institution or housing codes, the address, or telephone number.

If the student applied electronically through a school or received an e-mail link to SAR information on the Web but would like to make corrections with a paper SAR, she can have one mailed to her by calling the FSAIC at 1-800-433-3243 and providing her name, SSN, and date of birth.

Adding schools and changing a student's address

As with other changes, a student can add schools or change her address, e-mail address, or telephone number by submitting the changes through FAA Access (though, as noted before, if your school was not listed on the student's application, you will need the

student's DRN to add your school), through COTW, or on a paper SAR. But for the above items, the student can also update them over the phone by calling 1-800-4-FED-AID and providing her DRN.

Also, a student can send a signed, written request to the FAFSA processor to add schools. The processor will replace **all of the current schools** listed on her application file with the schools listed in the letter. Therefore, when sending a written request, the student should list **all** of the schools to which information should be sent, up to a total of six, including any schools previously listed on the FAFSA or SAR that she still wants to receive information.

The FAFSA only has space for a student to list six schools that will receive the application data. If the student wants information sent to more than six schools, he can use any of the methods listed above to replace some or all of the original six schools with other schools. However, the CPS will send data only to six schools at a time for one student. For example, if the student originally listed six schools on the application and then used Corrections on the Web to replace two of the schools originally listed with two new schools, the two schools that were replaced would not receive an ISIR from this correction or any subsequent corrections.

PROFESSIONAL JUDGMENT

An aid administrator may use professional judgment (PJ), on a case-by-case basis only, to alter the data elements used to calculate the EFC. The professional judgment alteration is valid only at the school exercising such judgment. You may submit an adjustment without a signature from the parent or student, and the adjustment must be done electronically, via FAA Access to CPS Online.

The reason for the adjustment must be documented in the student's file, and it must relate to the special circumstances that differentiate him—not to conditions that exist for a whole class of students. You can also use professional judgment to adjust the student's cost of attendance. You must resolve any inconsistent or conflicting information shown on the output document *before* making any adjustments. An aid administrator's decision regarding adjustments is final and cannot be appealed to the Department.

The statute states that nothing within it shall be construed as limiting the authority of aid administrators to make data adjustments for some situations. However, the most recent Reauthorization (1998) added some examples of special circumstances, such as elementary or secondary school tuition, medical or dental expenses not covered by insurance, unusually high child care costs, recent unemployment of a family member, or other changes in the family's income or assets. Use of professional judgment is neither limited to nor required for the situations mentioned.

Another situation where you might want to use professional judgment involves Roth IRAs. When someone converts a regular IRA

Corrections by phone limited to processor errors

As we've discussed, a student with a DRN can change his address and school listings by calling the Federal Student Aid Information Center.

Most other corrections can't be made over the phone—they have to be done on the SAR or through COTW or FAA Access. There is only one exception, and that's when the information the student submitted on a paper FAFSA or SAR was not scanned or input correctly.

If a student contacts the FSAIC and a counselor can verify by viewing the image file of the document that an answer to an item was not correctly recorded by the FAFSA processor, the counselor can correct that error.

The correction will be transmitted to the CPS, a corrected ISIR will be available to the student's schools within 72 hours, and he will receive a corrected SAR in the mail within 10 days. The student doesn't have to sign for this correction because he has already signed the original paper document that has the correct information.

Professional judgment

Sec. 479A(a) IN GENERAL—Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances. However, this authority shall not be construed to permit aid administrators to deviate from the contributions expected in the absence of special circumstances. Special circumstances may include tuition expenses at an elementary or secondary school, medical or dental expenses not covered by insurance, unusually high child care costs, recent unemployment of a family member, the number of parents enrolled at least half-time in a degree, certificate, or other program leading to a recognized educational credential at an institution with a program participation agreement under section 487, or other changes in a family's income, a family's assets or a student's status. Special circumstances shall be conditions that differentiate an individual student from a class of students rather than conditions that exist across a class of students. Adequate documentation for such adjustments shall substantiate such special circumstances of individual students. In addition, nothing in this title shall be interpreted as limiting the authority of the student financial aid administrator in such cases to request and use supplementary information about the financial status or personal circumstances of eligible applicants in selecting recipients and determining the amount of awards under this title. No student or parent shall be charged a fee for collecting, processing, or delivering such supplementary information.

into a Roth IRA by transferring funds, the amount converted has to be reported as taxable income on the tax return. So the income reported on the FAFSA will be higher than without the Roth conversion, even though the family doesn't actually have additional income or assets available. You can use professional judgment to reduce the income and taxes paid to the amount that would have been reported if there was no Roth conversion if you think the adjustment is warranted for a student. As with the specific special circumstances listed in the law, you're not required to make an adjustment in this situation.

The law doesn't allow you to modify either the formula or the tables used in the EFC calculation; you can only change the cost of attendance or the values of specific data elements used in the EFC calculation. In addition, you can't adjust data elements or the cost of attendance solely because you believe the tables and formula are not adequate or appropriate. The data elements that are adjusted must relate to the student's special circumstances. For example, if a family member is ill, you might modify the AGI to allow for lower earnings in the coming year or might adjust assets to indicate that family savings will be spent on medical expenses.

Professional judgment can't be used to waive general student eligibility requirements or to circumvent the intent of the law or regulations. For instance, you cannot use professional judgment to change FSEOG selection criteria. Nor can you include post-enrollment activity expenses in the student's COA. (For example, professional licensing exam fees are not allowable costs.)

Occasionally aid administrators have made decisions contrary to the professional judgment provision's intent. These "unreasonable" judgments have included, for example, the reduction of EFCs based on recurring costs such as vacation expenses, tithing expenses, and standard living expenses (related to utilities, credit card expenses, childrens' allowances, and the like). Aid administrators must make "reasonable" decisions that support the intent of the provision. Your school is held accountable for all professional judgment decisions and for fully documenting each decision.

In making adjustments for unusual expenses, an aid administrator should keep in mind that an income protection allowance (IPA) is already included in the EFC calculation to account for modest living expenses. You should consider whether the expense is already taken into account through the income protection allowance before making an adjustment. It is reasonable to assume that approximately 30% of the income protection allowance amount is for food, 22% for housing, 9% for transportation expenses, 16% for clothing and personal care, 11% for medical care, and 12% for other family consumption. The income protection allowance used for a particular student is provided as one of the intermediate values in the FAA Information Section of the output document (labeled as "IPA"). See chapter 3 for tables listing income protection allowances.

If you use professional judgment to adjust a data element, you must use the resulting EFC consistently for all FSA funds awarded to that student. For example, if for awarding the student's Pell grant you adjust a data element that affects the EFC, that new EFC must also be used to determine the student's eligibility for aid from the Campus-Based and Stafford Loan programs.

CONFLICTING INFORMATION

In addition to reviewing application and data match information provided by the CPS, a school must have an adequate internal system to identify conflicting information—regardless of the source and regardless of whether the student is selected for verification—such as information from the admissions office as to whether the student has a high school diploma or information from other offices regarding academic progress and enrollment status. The school is responsible for reconciling any conflicting information that it has with one exception: If the student dies during the award year, the school isn't required to resolve conflicting information.

If your school has conflicting information concerning a student's eligibility or you have any reason to believe a student's application information is incorrect, you **must** resolve the discrepancies before disbursing FSA funds. If you discover discrepancies *after* disbursing FSA funds, you must still reconcile the conflicting information and take appropriate action under the specific program requirements.

Subsequent ISIRs

You are required to review all subsequent transactions for a student, even if you have already verified an earlier transaction. First determine if the EFC or any of the "C" flags have changed or if there are new comments or NSLDS information. Also check any updates or corrections. If the EFC has not changed and there are no changes in the "C" flags or NSLDS information, generally no action is required. If the EFC does change but it either doesn't affect the amount and type of aid received or the data elements that changed were already verified, no action is required. But if the EFC changes and the pertinent data elements were not verified, then you must investigate. Of course, any time a "C" flag changes or NSLDS data have been modified, you must resolve any conflicts.

Discrepant tax data

We have already stated that financial aid administrators do not need to be tax experts, yet there are some issues that even a layperson with basic tax law information can evaluate. Because conflicting data often involve such information, FAAs must have a fundamental understanding of relevant tax issues that can considerably affect the need analysis. You are obligated to know: whether a person was required to file a tax return, what the correct filing status for a person should be, and that an individual cannot be claimed as an exemption by more than one person.

Adjustment example

Kitty's mother had income earned from work of \$25,000 in 2003 but is no longer employed. After receiving documentation confirming this, the FAA at Bennet College decides to adjust the AGI reported for Kitty's parents to take into account their reduced income. The FAA also reduces the income earned from work for Kitty's mother to zero.

IPA percentage example

In 2003 Allen had \$2,180 in medical expenses that weren't covered by insurance. He's married and has two children, and he's the only member of his household in college, so his IPA is \$21,070. Because Allen's expenses are less than the amount for medical expenses already included in the IPA (11% of \$21,070 is \$2318), the aid administrator at Sarven Technical Institute does not make an adjustment to Allen's FAFSA information.

Online review of PJ practices

<http://ifap.ed.gov/qadocs/FSAVeriModule/activity13.doc>

Requirement to identify and resolve discrepant information

34 CFR 668.16(f)

Requirement to verify questionable data

34 CFR 668.54(a)(3)

"If an institution has reason to believe that any information on an application used to calculate an EFC is inaccurate, it shall require the applicant to verify the information that it has reason to believe is inaccurate."

IRS Publication 17

The IRS's Publication 17 is a large document, but we have included the page numbers to which you might need to refer so that you will not be daunted by the length of the publication.

Online review of conflicting information policies

<http://ifap.ed.gov/qadocs/FSAVeriModule/activity7.doc>

For example, an FAA noticing that a dependent student's married parents have each filed as "head of household" (which offers a greater tax deduction than filing as single or married) must question whether that is the correct filing status. Publication 17 of the IRS, *Your Federal Income Tax*, describes on p. 25 the requirements that a person must meet to file as head of household: you must have paid more than half the cost of keeping up a home for the year; you must be unmarried or "considered unmarried" (the definition of the latter is given on the same page) on the last day of the year; finally, a "qualifying person" must have lived with you in the home more than half the year (though your dependent parent does not have to live with you). A table for determining who counts as a "qualifying person" is given on page 26, and other important notes are on pages 25 and 26 of Publication 17.

Publication 17 is a useful resource for aid administrators. You can view it on the Web at www.irs.gov or you can call the IRS at 1-800-829-3676 to order a copy. Other tax issues that it addresses: the filing requirements—i.e., who is required to file a return—are on pages 7 and 8; and instructions on which form a person should file are on pages 9–11.

Resolution of conflicting information

You may not disburse aid until you have resolved conflicting information, which you must do for any student as long as he is at your school; even if the conflict concerns a previous award year, you must still investigate it. You have resolved the matter when you have determined which data are correct, which might simply be confirming that an earlier determination was the right one. And, of course, you must document your findings in the student's file.

REFERRAL OF FRAUD CASES

If you suspect that a student, employee, or other individual has misreported information or altered documentation to fraudulently obtain federal funds, you should report your suspicions and provide any evidence to the Office of Inspector General. See also Volume 2.

OIG referrals

34 CFR 668.16(g)

OIG Address and Phone Numbers

<i>Regional Offices</i>	<i>Telephone No.</i>	<i>National Hotline</i>
Boston, MA	(617) 223-9301	Inspector General's Hotline Office of Inspector General U.S. Department of Education 400 Maryland Avenue, SW Washington, DC 20202-1510
New York, NY	(212) 264-4104	
Philadelphia, PA	(215) 656-6900	
Pittsburgh, PA	(412) 931-9292	
Atlanta, GA	(404) 562-6460	
Chicago, IL	(312) 353-7891	1-800-MIS-USED http://www.ed.gov/about/offices/list/oig/hotline.html
Dallas, TX	(214) 880-3031	
Kansas City, MO	(816) 268-0530	
Long Beach, CA	(562) 980-4141	
San Juan, PR	(787) 766-6278	
Washington, DC	(202) 245-6911	

